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C O N F I D E N T I A L SECTION 01 OF 04 TUNIS 001597

SIPDIS

SIPDIS

STATE FOR NEA/MAG (HARRIS)
STATE PASS USTR (BURKHEAD) AND USAID (MCLOUD)
USDOC FOR ITA/MAC/ONE (NATHAN MASON), ADVOCACY CTR (JAMES),
AND CLDP (TEJTEL AND MCMANUS)
USDOC PASS USPTO (ADAMS, BROWN AND MARSHALL)
CASABLANCA FOR FCS (ORTIZ)
CAIRO FOR FINANCIAL ATTACHE (SEVERENS)
LONDON AND PARIS FOR NEA WATCHER

E.O. 12958: DECL: 12/20/2017

TAGS: ECON EFIN ETRD TS

SUBJECT: SOUTHERN TUNISIA'S ENCOMIUM TO BEN ALI

REF: A. TUNIS 1528

1B. TUNIS 1443

1C. TUNIS 591

1D. TUNIS 107

1E. 06 TUNIS 2414

1F. 06 TUNIS 2329

1G. 06 TUNIS 1305

Classified By: Ambassador Robert F. Godec for Reasons 1.4 (b) and (d).

Summary and Introduction

11. (C) During a December 10-13 trip to the southern cities of Djerba, Medenine, Zarzis and Tataouine, with a stop in Sfax, Ambassador Godec met with a wide-range of government officials, community leaders, and private business people, who were generally effusive in their praise of President Ben Ali and reticent to acknowledge any of the challenges facing the region. Government officials were quick to point to dramatic improvements in the region's infrastructure following Ben Ali's 1987 coup and claimed that unemployment was not a major concern. Djerba's small, but active, Jewish community also hailed Ben Ali's promotion of religious tolerance and moderation and told the Ambassador they have no problems. Yet, the reality is more complex, and visits to area companies and a tour of the region reveal that claims of prosperity are overstated. Unemployment, cross-border smuggling to and from Libya, and emigration are very real concerns in southern Tunisia. END SUMMARY.

We Love Ben Ali

12. (C) In meeting after meeting with the Ambassador during his visit to southern Tunisia December 10-13, government officials, community leaders and private business people largely delivered fawning praise of Ben Ali. According to the Governor of Medenine, Nejib Barkallah, the governorate

witnessed an "explosion" of growth after November 7, 1987, the date of President Ben Ali's coup. Not to be outdone, in a December 12 meeting, the Governor of Tataouine, Ridha Bel Haj, declared that Tataouine "was just desert" before the change, but "thanks to the President there is now visible progress." Waxing on about the region's infrastructure, he added, "We are spoiled by our President, who never stops spoiling us." The Governor of Sfax, Mohamed Ben Salem formerly Governor of Tataouine, added that after the change, there was a "new life" in Tataouine.

A Booming Economy?

¶13. (C) While the governors were quick to hail the economic development and prosperity in the region, with the notable exception of Djerba, southern Tunisia is more of a backwater than a hub of economic activity. The island of Djerba has had great success as a tourist destination for Europeans, hosting about two million tourists annually. Although the GOT has attempted to promote "Saharan" tourism to Medenine and Tataouine, the number of tourists to the desert pales in comparison to those visiting Tunisia's beaches. In meetings with the various governors, the Ambassador noted the recent New York Times article naming Tunisia as the number three destination for 2008 and remarked that American tourists were likely to be more interested in visiting historical sites and the desert. The Ambassador emphasized that increased US tourism would probably encourage greater US investment. The region has succeeded in attracting US interest in the energy sector, including Pioneer Natural Resources, which is involved in oil and natural gas exploration.

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¶14. (C) A December 11 visit to the Zarzis Free Trade Zone revealed that despite the enthusiastic projections of its Director General Khaled Touibi there was very little activity. (NOTE: Following the meeting with DG Touibi, we learned that he had received notice just prior to our arrival he was being replaced. END NOTE.) The Free Trade Zone stated that the zone is at 93 percent occupancy, but continues to host only 50-some companies -- the same number as in 2006 (Ref E). During a tour of the zone, the only visible activity was a man pushing a wheel barrow, with no sign of the trucks, cars, and people one would expect to see in a functional free trade zone.

¶15. (SBU) In Zarzis, the El Bibane Electricity Company (SEEB), a Caterpillar subsidiary, began private electricity generation in November 2003. The electricity generated by the plant is sold to the Tunisian Electricity and Gas Company (STEG) under a 20-year purchase agreement. Although Plant Manager Nejib Ayeb was upbeat, the plant has not been functioning for nearly two years due to problems with their supply of gas. Ayeb told the Ambassador during a December 11 visit that the plant expected to resume operations within the next several weeks. (COMMENT: Ayeb's optimism, and his assertion that SEEB had great relations with STEG, could have been influenced by the presence of several uniformed and plain clothes police during the visit. END COMMENT.) Despite the long hiatus in operation, Ayeb indicated SEEB plans to invest in a third gas-fired turbine if gas supplies are sufficient.

What Unemployment?

¶16. (C) Despite an official nation-wide unemployment rate of 13.9 percent, interlocutors throughout the region declared that unemployment was "not a problem" (Ref B). The Mayor of Djerba even went so far as to categorically state that there was "almost no unemployment" in Djerba. The number of apparently idle men on the streets and in the cafes

throughout the region would suggest these statements are at odds with reality. Anecdotally, it is widely believed that the region is a major source of emigration to Europe and even to Libya. The governors and the President of Djerba's Jewish Community, Yousuf Uzon, were quick to deny the phenomenon. However, in a side conversation with one member of the Jewish community, he acknowledged that his three children lived in the United States, the United Kingdom, and Israel. Rural-urban migration also plays a role in keeping the region's official unemployment low. During a tour of the Berber village of Chenini, a Berber guide told the Ambassador that many of the homes in the village had been abandoned as families moved to cities such as Tunis. The guide noted that all the newsstands in Tunis were run by Chenini expatriates -- a statement accepted as fact by Embassy FSNs.

Religious Freedom Paradise

¶ 7. (C) Tunisia justifiably prides itself on its religious moderation and secularism. Governor of Medenine Barkallah told the Ambassador that in one part of Djerba two churches, a mosque, and a synagogue coexisted peacefully literally right next to one another. The Ambassador noted that Tunisia's religious moderation serves as a model. Djerba's Jewish community was equally resolute in their praise of President Ben Ali's support of their community. Yousuf Uzon, President of Djerba's Jewish Community, stated that the community lived in perfect harmony and there were no problems, mirroring the message from a previous visit to the community in December 2006 (Ref D). During a dinner with community members on December 11 (the final evening of

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Hannukah), the group exclaimed that there is no threat from Islamic extremism in Tunisia in contrast to Algeria, where the two recent bombings had just taken place. (NOTE: During the Ambassador's visit to the Jewish community, there were more than five plain clothed police following the group. The "omda", or district mayor, also accompanied the group and joined a dinner hosted in honor of the Ambassador. END NOTE.)

Libyan Trade

¶ 8. (C) Although the Governor of Medenine asserted that there was no problem with illegal trade over the Tunisian-Libyan border, the multitude of cars and trucks returning from Libya packed to the brim with wares paint a different picture (Ref F). Roadside vendors selling cut-rate Libyan gasoline are common in the region. The roadside price is .900 to .950 Tunisian dinars (US \$0.73 - 0.76), when the official price is now 1.200 dinars (US \$0.97). Most Tunisians believe that the government tolerates private citizens' illegal importation of cheaper Libyan (and other foreign) products as a means of increasing citizens' purchasing power. While the GOT has announced its long-term intention to eliminate parallel markets for illegally imported products, there is little indication that efforts to do so are currently underway. Despite his earlier denial of smuggling between Tunisia and Libya, the Governor of Medenine later remarked that low food prices in Tunisia have led to an outflow of food products, such as milk, to Libya (Ref A).

Arid Research Impressive

¶ 9. (C) During an almost three-hour tour of the Institute for Arid Regions outside Medenine, Director Houcine Khattali provided the Ambassador with an overview of the Institute's extensive research on arid regions. Khattali told the Ambassador that Tunisia's southern deserts are not encroaching, but that the population is advancing into the

desert. The Institute oversees a variety of branch offices that are conducting scientific and agricultural testing on the flora of the region, and studying how indigenous flora and fauna could be exploited or improved, including for medicinal purposes. The Institute, which was founded in 1976, is benefiting from USDA Foreign Agriculture Service-funded research programs. Khattali told the Ambassador that he was interested in being connected with other US institutions undertaking similar research on arid regions.

Sfax: Tunisia's "Economic Capital"

¶10. (SBU) In contrast to its less prosperous governorates to the south, Sfax is often referred to as Tunisia's "economic capital." During a December 13 meeting with the Ambassador, Governor of Sfax Mohamed Ben Salem rattled off an impressive string of numbers highlighting Sfax's economic dominance compared to other governorates. Sfax produces 30 percent of the country's olives, 40 percent of olive oil, and is responsible for over 80 percent of oil exports. The governorate is also responsible for a disproportionate share of poultry, seafood, and milk production and hosts over 2,200 factories. The Embassy continues to explore opportunities to increase engagement with Sfax, including opening a potential Virtual Presence Post to coincide with a new Amideast center and a branch office of the Tunisian-American Chamber of Commerce (Ref C).

Comment

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¶11. (C) Good rural development policies and public and private investment is clearly producing progress in southeastern Tunisia. Nevertheless, the region still faces major challenges. The unwillingness to acknowledge the existence of any problems reveals the heavy hand of Ben Ali's regime at least as much as the success of GOT policies. While Tunisia's southern governorates boast a workable infrastructure, unemployment is, in fact, a major concern. Moreover, despite investment in tourism in Djerba and in the energy sector in Tataouine, residents of the region are not immune to national challenges, as the governors were quick to claim. One need only look to the idle men, shuttered storefronts, and ramshackle homes to question such statements. Similarly, the Jewish community's reticence to discuss their own challenges reflects their insecurity and the importance of maintaining the patronage of the GOT (Ref G). As is often the case, the reality is more complex. Ultimately, the GOT failure to admit that there are problems, and to allow Tunisians to acknowledge shortcomings, means they will not be able to adequately address these challenges.

¶12. (C) Regardless of the GOT's reticence to acknowledge the region's challenges, or perhaps because of it, increased US outreach to the region is likely to pay big dividends. Several interlocutors were nostalgic for the heyday of American cooperation through USAID and the Peace Corps in the 1960s. The Embassy will continue to look for opportunities to promote economic and commercial ties, to participate in cultural events in the region, by bringing American musical groups or speakers, and to facilitate linkages between universities and research institutions, such as the Institute for Arid Regions. END COMMENT.

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